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# **Strategic user-orientation in public services delivery: the missing link in the strategic trinity?**

## **Stephen P Osborne**

*Professor and Chair of International Public Management and Director of the Centre for Service Excellence (CenSE)*

*University of Edinburgh Business School*

[Stephen.Osborne@ed.ac.uk](mailto:Stephen.Osborne@ed.ac.uk)

## **Maria Cucciniello**

*Senior Lecturer and Deputy Director of CenSE*

*University of Edinburgh Business School,*

[Maria.cucciniello@ed.ac.uk](mailto:Maria.cucciniello@ed.ac.uk)

## **Greta Nasi**

*Associate Professor Bocconi University and Director of the Public Management & Policy Department*

[Greta.nasi@unibocconi.it](mailto:Greta.nasi@unibocconi.it)

## **Kirsty Strokosch**

*Research Fellow of CenSE*

*University of Edinburgh Business School*

[Kirsty.strokosch@ed.ac.uk](mailto:Kirsty.strokosch@ed.ac.uk)

**Abstract**

This paper explores the application of strategic planning and management to Public Service Organisations (PSOs). It argues that the impact of these approaches has been limited by the absence of an underlying strategic orientation that would provide a value-base upon which to embed these approaches within PSOs. It argues further for such an orientation to privilege the need for public services to add value to the lives of citizens and service users and not to focus solely upon internal measures of efficiency and performance.

**Impact statement**

This paper provides direct guidance to public service policy makers and managers on the importance of a strategic orientation in order to enhance the impact of public services upon citizens and public service users. It provides advice as to how to enact and take forward such an orientation within Public Service Organisations.

**Key words**

Strategic management, strategic planning, strategic orientation, value creation, service users, citizens

## **Strategic user-orientation in public services delivery: the missing link in the strategic trinity? <sup>1</sup>**

Strategic planning and management (SPM) entered the management of public service organisations (PSOs) in the latter half of the twentieth century. Llewellyn & Tappin (2003) have argued that both are alien to public administration and management (PAM) and were implanted into it from the commercial sector. This paper argues that the impact of SPM for PSOs has been limited because they have been so imported – and with a strategic orientation that has privileged cost and market-orientation above a customer/user-orientation. Consequently, PSOs have focussed upon their internal costs and the implications of these costs for market positioning. This paper argues for an alternative approach, based upon a strategic customer/user-orientation. Such an orientation is essential for the evolution of resilient and sustainable public services.

The paper is part of an evolving strand of PAM literature. Strokosch & Osborne (2020) recently pointed more broadly to the failure of successive waves of PAM reforms to successfully engage public service users and citizens in the design and delivery of public services, whilst Kools & George (2020) have called for PSOs to develop a ‘learning organisation’ approach to SPM if they are to fulfil their potential. This present paper builds upon these prior papers. It maintains that an essential prerequisite to achieving the potential of SPM for PSOs is to position it within a

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strategic orientation that places the users, not the PSO or public service managers, at the heart of strategic thinking.

It is a conceptual paper, but one with significant implications for public management practice. The paper will commence by reviewing the development of SPM within PAM, and then argue for an alternative approach based on a strategic orientation that situates the public service user at the heart of SPM for public services.

### **The strategic disciplines and PAM: a brief review**

Strategic approaches have been an important element of the growth of PAM, with excellent reviews of them by Bryson et al (2018) and Hoglund et al (2018). However, their impact upon PAM has been limited by their adherence to a cost and/or market-orientation alone (Llewellyn & Tappin 2003), rather than adopting the customer-orientation, that characterises successful businesses (Schlogl 2017).

***Strategic planning.*** Bryson has elegantly articulated the necessity of strategic planning for PSOs. To conflate his own words, strategic planning is about ‘what to do when stakeholders matter’ (Bryson 2004) and ‘for the common good’ (Crosby and Bryson 2005). Strategic planning can, though, become overly pre-occupied with a rational view of public service delivery that belies such issues as power and culture (Vinzant & Vinzant 1996).

***Strategic management.*** This has developed as part of PAM practice since Nutt & Backoff (1992). It is defined as a rational process of organisational decision-making, goal formulation, implementation, monitoring and adjustment. Strategic management has the potential to go beyond the narrow concerns of strategic planning, to embrace broader organisational goals and to address the issues of

power, culture and leadership identified above (Ferlie & Ongaro 2015). Bryson et al (2010) have asserted that it has now become 'common practice' for PSOs, though Hoglund et al (2017) have also argued that its impact has been limited by its reliance on a 'tool kit' approach rather than on embedding strategic thinking across PSOs.

The literature emphasises important differences between strategic management for PSOs and for businesses. For businesses, for example, shareholders alone represent their ownership, whereas there is no single owner of a PSO. Rather, there are many stakeholders who can hold converging or conflicting, interests – including service users, their families, citizens, taxpayers, other PSOs, and politicians. Thus a PSOs strategic management is enacted within an over-arching public service 'ecosystem' (Petrescu 2019), where decisions and actions by these external stakeholders and funders may overtake their internal decision-making (Walker 2013).

**Critiques of SPM.** Bryson & Roering (1987) have admitted that 'most efforts to produce fundamental decisions and policy changes in government through [SPM] will not succeed' and that attention to its contingencies is required. Recent studies have also critiqued its undifferentiated application to PSOs, the poor understanding of the links between SPM and organisational leadership, the dominance of 'how to' tool kits, the contested links between SPM and PSO performance, and its overly rational approach to public policy and public services (e.g. George et al 2019). Finally, there is a strong normative and atheoretical strand in much SPM literature (Brown 2010).

Our distinctive critique is that the SPM literature fails to interrogate the assumption, derived from the New Public Management (NPM), that SPM is concerned with

internal resources and market position alone (Llewellyn & Tappin 2003). This is a fundamental flaw that has limited the impact of SPM for PSOs. Consequently, we now consider how PAM has privileged this strategic orientation above a customer-orientation. Without this latter orientation, SPM can never truly link the management of PSOs to the achievement of external effectiveness and value-creation in delivering public services.

### **Strategic orientation**

***For businesses***, strategic orientation has long been recognised as important for organisational performance (Deshpande et al. 1993). It refers to an organization's capacity to create a culture of shared values and behaviour to underpin SPM. The literature focuses on three types of strategic orientation: cost, market, and customer-orientation.

*Cost-orientation* has an internal focus, aimed at developing a culture of efficiency throughout a firm's internal value chain. *Competition-orientation* is the creation of a business culture across the firm that is oriented to market performance. *Customer-orientation* is the underlying organizational culture that facilitates the understanding of what constitutes 'value' for a firm's customers and how to embed such value at the heart of sustainable business practice. Two points are important here. First, that strategic orientation is about the values and culture that underpin an organisation. Second, that whilst cost and market-orientation are necessary for organisational survival, it is a customer-orientation that is an essential pre-condition of organisational effectiveness and the creation of customer value. Without this latter orientation, organisations risk becoming highly internally efficient whilst failing to

achieve a sustainable market presence – and especially in highly relational service contexts (Mediano & Ruz-Alba 2019).

***For public services***, an internal *cost-orientation* is both an enduring principle of the NPM and of recent public management reforms in response to the global recession. A cost-oriented PSO places a high level of importance on developing tools and knowledge about its resource inputs and their costs and reducing waste (Hyndman & Lapsley 2016). This is a required antecedent for the short-term survival of PSOs, but it is not sufficient to guarantee their enduring sustainability (Osborne et al 2015).

Similarly, *Competition-orientation* has been a feature of PSOs linked to the influence of the NPM. It has enhanced the performance of individual PSOs, but often at the cost both of the overall effectiveness of public service delivery ecosystems in responding to need and of the ability of PSOs to respond to emergent social/economic issues (McLaughlin et al 2002). The focus for PSOs has been upon their market positioning and the marketization of public services, rather than upon external effectiveness and value creation (Powell & Osborne 2020). These orientations have limited the impact of SPM for PSOs.

### **Customer/user strategic orientation**

***Within the service management literature***, the importance of this orientation is even greater and a robust strand of theory and practice has developed that posits a customer-orientation as a necessary condition for successful service businesses. Further, as the service management literature has subsequently developed, this customer-orientation has shifted from involving customers in the production of services (co-production) and to their role in the consumption of services in order to create value in their own lives (co-creation) (Vargo et al 2008, Gronroos 2017). Thus,



a customer-orientation has become the basis for interpreting cost and market information, rather than being led by them, and for strategic decision-making. This is lacking from PAM (Groth et al 2019).

***For public services***, the equivalent of customer-orientation is user-orientation. The rhetoric of user-orientation has certainly been a mainstay of public service reforms in recent years, though research has questioned its actuality (Boyne & Walker 2010). Whilst there is a strong tradition of stakeholder engagement in SPM, especially in strategic planning, this is not the same as user-orientation. A user-orientation goes beyond the tools and tactics of stakeholder engagement to embed the user as at the heart of effective PSOs and as a core determinant of their value creation.

Studies have also argued that this rhetoric has achieved little in putting service users at the heart of public service delivery (e.g. Loeffler & Bovaird (2016) and Flemig & Osborne (2019), on co-production). Strokosch & Osborne (2020) have also argued that successive waves of public service reform have failed to enable a user-orientation because they articulated it as something to be ‘added into’ existing public services. Consequently, they posit an alternative approach that has a user-orientation embedded at its heart – Public Service Logic (PSL) (Osborne 2020).

The last decade has seen increasing attention to understanding and managing PSOs as service organisations (Osborne et al 2013, Hodgkinson et al 2017, Engen et al 2020). This is the genesis of PSL. A full exposition of PSL is not the purpose of this paper. Rather it is to argue for its import in positing a user-orientation as at the heart of effective and sustainable public services.

## **The implications of PSL and a user-orientation for SPM and for PSOs**

A user-orientation is fundamental to PSL and has four implications for SPM within PSOs. First, SPM needs to be informed by an understanding of the centrality of the user to the delivery of effective and sustainable public services: it is only in the context of this user-orientation that cost and market information can be made sense of (Alford 2016). Second and consequently, PSOs need to focus not upon internal resource and performance measures alone but rather to evaluate these in the context of external value creation and user needs. Third, it is only by embracing a user-orientation that PSOs can become truly sustainable as services, else they will continue to fail to be 'fit for purpose'. This requires that they adopt such a user-orientation to steer their strategic direction and their role within public service reform trajectories. It also requires them to understand that their sustainability is not possible in isolation but only possible within healthy and thriving public service ecosystems. Such a systemic approach will drive the creation of sustainable public services and sustainable PSOs, rather than an absorption either with internal costs or with the market position of individual PSO at the expense of the health of the overall public service ecosystem. Four, therefore, SPM must embrace a user-orientation that takes values and value creation as the pre-eminent strategic intents of PSOs.

Such a change will require five elements:

- Clarity over the societal values that public services enact and their implications for the delivery of public services (Haynes 2018),
- An emphasis upon the performance of the overall public service ecosystem rather than individual PSOs (Petrescu 2019),

- An appreciation of what 'value' comprises for public service users and a focus for PSOs co-creating such value in partnership with public services users (Osborne 2020),
- The establishment of performance management systems predicated upon value creation rather than internal resource usage (Foglieni & Holmlid 2017), and
- Cultural change within PSOs to embed this new approach – not easy but not impossible either (Karp & Helg 2008).

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